



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor
Ted Stewart
Executive Director
James W. Carter
Division Director

1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
801-538-5340
801-359-3940 (Fax)
801-538-7223 (TDD)

June 10, 1997

William J. Hyland
Vice President - Finance
Ziegler Chemical & Mineral Corporation
100 Jericho Quadrangle
Jericho, New York 11753

Re: Reclamation Surety Update, Ziegler Chemical & Mineral Corp. ("Ziegler"), Ziegler Gilsonite Operations, M/047/Q13, Uintah County, Utah

Dear Mr. Hyland:

Attached is a copy of the updated surety estimate for Ziegler's Gilsonite Operations in Uintah County, Utah. The updated surety amount in year 2002 dollars is \$126,600. It is our understanding that you will be replacing the current \$113,900 Letter of Credit issued by Fleet Bank with a new form of surety. Upon receiving the new surety and Reclamation Contract, we will obtain the required Division and Board approvals and then release the old Letter of Credit issued by Fleet Bank to you for your disposal. After the replacement documents have been signed we will send you copies of the Reclamation Contract and replacement surety.

As operator, you have the right to manage your reclamation sureties as you see fit; however, please be aware that we are required to update the surety amount whenever the documents are being revised. Consequently, our updates may negate the financial benefits you are seeking by frequently replacing sureties. If you have any questions regarding this letter or the escalated surety amounts, please contact me at (801) 538-5267.

Sincerely,

Anthony A. Gallegos
Senior Reclamation Specialist

jb
Attachment: Surety Estimate Update
M47-13.sur

SURETY ESTIMATE UPDATE

Last Update 06/10/97

Ziegler Chemical & Mineral Corporation

filename m47-13up.wb2

Ziegler Gilsonite Operations M/047/013

Uintah County

Prepared by Utah Division of Oil, Gas & Mining

DESCRIPTION:

- This update adjusts for escalation & previous partial release of C-1, C-2, & C-3
- This update does not include changes due to amendments currently being processed
- The Tom Taylor Mine amendment (Lease U-0122694) is not included
- The recent modification to Cowboy No. 1 Mine is not included
- Escalation factors through 1996 are actual Means Historical Cost Indices
- Total disturbed area = 33.34 ACRES

CALCULATION

$$F = P(1 + i)^{**n}$$

F= future sum; P=present sum; i= escalation factor; n= number of periods

Base amount for C-1, C-2, C-3 partial reclamation release in 1992-\$ was \$5,300

Escalate this amount to 1994-\$ to adjust for release

	YR	ESCAL FACTOR	BOND AMOUNT
	1992	0.0221	\$5,300
	1993	0.0261	\$5,438
Surety reduction in 1994-\$	1994	0.0321	\$5,613

Reduce 1994 base amount for C-1, C-2, C-3 partial release

1994-\$ base amount including Cowboy Amendmen \$98,158

less surety reduction amount in 1994-\$ \$5,613

Adjusted base amount in 1994-\$ \$92,545

Escalate the adjusted 1994 base amount to 1995-\$

1994	0.0321	\$92,545
1995	0.0193	\$94,331

Add 1995 ZI-95-1 amendment to 1995 base amoun \$12,137

Base amount in 1995-\$ \$106,468

Escalate 1995 base amount	1995	0.0193	\$106,468
	1996	0.0242	\$109,045
	1997	0.0252	\$111,792
Three Yr Average = 2.52%	1998	0.0252	\$114,610
Used to Project 5 Yrs	1999	0.0252	\$117,498
Into the Future	2000	0.0252	\$120,459
From the Year 1997	2001	0.0252	\$123,494
	2002	0.0252	\$126,606

Updated Surety Amount Rounded (2002-\$)**\$126,600**

** Average cost per acre =

\$3,797 (\$/ACRE)